

Re: The bill **S.B. 327 AN ACT CONCERNING CONSOLIDATION OF ECONOMIC DEVELOPMENT ENTITIES**

Honorable Committee Members:

I am Dr. Drew Harris, Professor of Management & Organization at Central Connecticut State University, a resident of Cheshire, CT, and a member of the Board of Directors of Connecticut Innovations, Inc. (CII). I write this note in opposition to the proposed Act before you.

My opposition has three primary points. I have read that this is proposed, in part, to reduce the state budget deficit; I have strong doubts that it will, and as I will explain I think it is more likely to cost the state more to consolidate these development entities. What savings are possible could probably be achieved more efficaciously with a different approach. Second, I think the proposed super-economic-development agency would reduce the effectiveness of state efforts to stimulate our economy. Finally, I think such a super-agency would increase the political influence involved in development – a likelihood that would amplify the likely increased costs and diminished effectiveness. Let me elaborate on these points.

First, any expected savings from such a merger would come from consolidating administrative functions. It cannot come from programmatic staff as those are specialized functions and, at least at CII (I have no experience to speak about activity at CDA), those programmatic staff are operating at full capacity. There is no savings by having fewer Boards; we are all volunteers – a tremendous free resource given freely to the state. And, we will not save on real estate; CII has just negotiated a very attractive deal for much needed new space. It is difficult to imagine making a better deal (and there are expensive terms should we bail on the contract).

So, the expected savings then come from consolidating a few staff in Human Resources, Marketing, and Technical Services. You might argue that savings will also come from having one director, but I doubt that will be the case. More likely, because of the work load and the different skill sets and focus, you would have a new higher-level director and two program directors – an expensive increase in senior staff. The cost savings in the back-office functions could be achieved by created a state-wide shared services group that could serve more than just CDA and CII.

However, another point should be made regarding net costs to the state budget. CII operates on its own earnings. Putting CII staff on to the state budget would increase the costs to the state. This might be offset by using the CII Investment Fund to pay for the super-agency, but then you cripple CII's ability to stimulate our economy. As would likely unfold under this bill, I would expect within two years you would see an increase in state costs.

More importantly, this bill will likely dilute (or even destroy) the CII's brand and effectiveness. CII is the most active early-stage investor in emerging technology companies in CT. CII is an integral part of building a strong technology economy. This past year, there would have been virtually no equity development of technology firms in the state without CII's leadership.